

City of Seattle

Investment Program Update

As of June 30, 2010

Overview of Investment Program

Objectives

- Preserve principal
- Maintain liquidity to meet the City's cash needs
- Generate investment income

Overview of Investment Program

Defined by State Law

- The City's investment activities are governed by various sections of State law, including RCW 35, 36, 39, and 43.
- State law prescribes authorized investments for local governments.
- Intent of state law is to ensure prudent and effective cash management of public funds, recognizing investment decisions are made under conditions of risk and uncertainty.
- State law authorizes the City to manage its own investments, or assign this responsibility to their County or the State of WA government pool, in exchange for a management fee.

Overview of Investment Program At Local Level

Defined by SMC 5.06 and Res. # 30346

– Investment Authority

- Director of Finance authorized to invest all excess moneys in eligible investments
- Director of Finance authorized to hold or convert securities to cash

- Securities Lending

- Director of Finance may lend all or part of held securities

– Fund Investments – Interfund Loans

- Director of Finance may apportion earnings and losses to participating funds
- Director of Finance may approve interfund loans up to 90 days (or longer by ordinance), establish criteria for identifying a de facto loan and carry funds in the cash pool with a negative balance up to 90 days (or longer by ordinance)

Overview of Investment Program At Local Level

Defined by SMC 5.06 and Res. # 30346 – continued

– Investment Policies

- Financial objectives are to preserve principal while maintaining liquidity to meet City's cash needs and earn investment income
- Investment policies adopted by ordinance or resolution

– Investment Principles

- Investment decisions should further financial objectives
- Maturity and liquidity should meet City's cash needs, not to exceed 15 years or average more than 5 years
- Investments are not to be for trading or speculation and losses may be taken

– Reporting Requirements

- Monthly reporting includes current market, material changes, investment return, and average maturity. A list of portfolio contents is provided quarterly.
- A statement of investment policy and a procedures manual will be maintained.

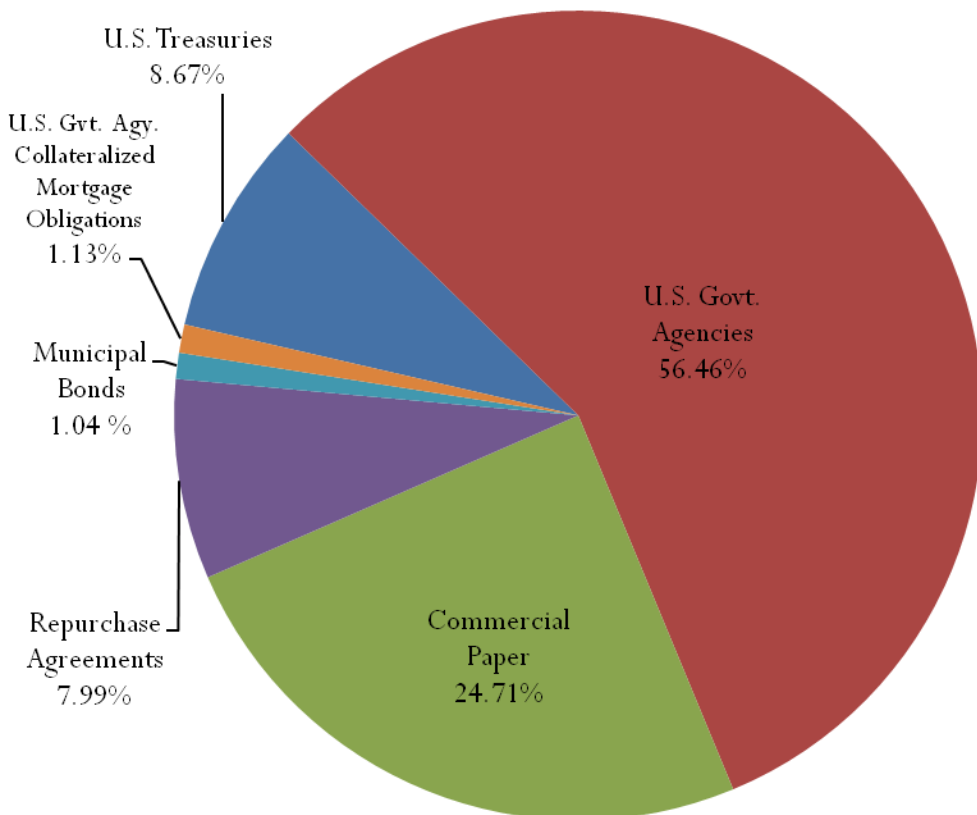
Overview of Investment Program

Eligible investments by State law:

- Banker's Acceptances
- Certificates of Deposit
- Commercial Paper
- Local Government Investment Pool (LGIP)
- Municipal Securities
- Repurchase Agreement (Repo)
- U.S. Government Agencies
- U.S. Government Agency Residential Mortgage-Backed Securities
- U.S. Government Treasuries

Investment Holdings (\$1.29 Billion)

Month End June 30, 2010



Asset Class	Percentage Allocation	Program Limit
US Govt. Agencies	56.46%	100%
Commercial Paper	24.74%	25%
USTreasuries	8.67%	100%
Repurchase Agreements	7.99%	50%
U.S. Govt . Agencies - CMO's	1.13%	25%
Municipals	1.04%	10%
Banker's Acceptances	0%	25%
Local Govt. Pool	0%	50%
Certificate of Deposit	0%	25%
Reverse Repurchase Agreements	0%	20%

Portfolio Summary

	As of 6/30/2010
Total Investments Amortized Book Value	\$1,285 Million
Average Maturity of Investments as of 6/30/10	318 Days

	Year-to-Date	Last 12 Months	2009
Total Investment Earnings	\$10,419,322*	\$11,026,496	\$17,013,498
Total Return on Investments	1.087%*	0.980%	1.208%
Yield on Investments	1.009%*	1.099%	1.600%
Budgeted Return on Investments	1.590%	n/a	2.054 %
Average Maturity During Period	369 Days	341 Days	421 Days
Yield on Bank Account	0.102%*	0.103%	0.103%
Yield on State LGIP	0.264%	0.356%	0.672%
1-YR Constant Maturity Treasury**	1.026%	1.050%	1.058%

*Numbers have been Annualized

** Source: Bloomberg; index of 1 Year Constant Maturity Treasury

Please see accompanying notes for calculations in table

Cash Fund Average Balances

June 2010

